



# FHA 203(h) Home Mortgage Insurance for Disaster Victims Program Your Presenter: Nancy West

**This document reflects current policy related to this topic. Its content is approved for use in all external and internal FHA-related lender trainings.**





## Course Objectives

- Outline 203(h) basic program purpose
- Identify eligible participants and customers
- Know and identify specific program requirement





## Course Overview

- Section 203(h) program description
- How the program can be used
- Eligibility requirements
- Maximum insurable mortgage amount and mortgage term
- Mortgage insurance premiums (MIP)
- Minimum borrower cash investment, closing costs and prepaid expenses
- Refinancing policy
- Basic underwriting criteria





## Understanding FHA's 203(b) Program First

- The 203(b) is the centerpiece of FHA's Single Family Mortgage Insurance Programs
  - Intended to provide mortgage insurance for a borrower to purchase or refinance a principal residence
- Loan is funded by a HUD approved lending institution, such as a mortgage company, bank, credit union, savings and loan association
- The mortgage is insured by HUD





## Understanding FHA's 203(b) Program – Cont.

- The borrower must meet standard FHA income and credit requirements, including appraisal
- The maximum FHA insured mortgage for a purchase transaction is 96.5% excluding up front mortgage insurance
  - Requires minimum cash investment of 3.5%
- The property must meet HUD's Minimum Property Standards (MPS) and Minimum Property Requirements (MPR)





## What is a 203(h)?

- The 203(h) is for the purchase or rebuilding of a home when:
  - Current home has been destroyed or damaged to such an extent that reconstruction or replacement is necessary
  - Current home is located in a Presidentially declared disaster area
- The home can be rebuilt on the existing property or be anywhere else in the country





## 203(h) Program Basics

- The 203(h) works in conjunction with HUD's 203(b) program
  - With the exception of the 3.5% minimum required investment
- Allows for up to 100% financing
- May also be used in conjunction with FHA's 203(k) program





## **203(h) Program Basics**

- All income, credit qualifying, and appraisal requirements of the 203(b) program must be met
- The property must meet HUD's Minimum Property Standards (MPS) and Minimum Property Requirements (MPR)







## **203(h) Program Basics**

- Home could have been owner-occupied or occupied by a renter
- Must apply for 203(h) within one year from the date of the Presidentially declared disaster area declaration date
- Refer to FEMA's web-site for declaration date  
— [www.fema.gov](http://www.fema.gov)





## How Do You Know If A Home Is Located In A Disaster Area?

- The Federal Emergency Management Agency (FEMA) makes recommendations to the President based on their knowledge of the areas affected by disasters
  - FEMA’s web-site is: [www.fema.gov](http://www.fema.gov)
- Disaster declarations can be found on FEMA’s opening home page under the “Disaster Survivor Assistance” tab



## **203(h) Borrower Eligibility Requirements**

- Borrower must have been the owner or a renter of the property
- Must have been a permanent resident of the property
- Must document evidence of permanent residency
  - Valid driver's license, voter registration card, or utility bills



## **203(h) Borrower Eligibility Requirements Continued**

- Borrower must provide documentation to evidence the destruction or damage to the property that was their permanent residence
  - Insurance report, independent fee inspection report, government agency, conclusive photographs





## **203(h) Borrower Eligibility Requirements Continued**

- Borrower's mortgage loan application must be submitted to an FHA approved lender within one year of the President's declaration of the disaster





## 203(h) Property Eligibility

- One-unit homes
  - Two, three, and four-unit properties may not be purchased under this program
- A condominium unit in a HUD approved condominium project
- The property must meet HUD's Minimum Property Standards and Minimum Property Requirements





## **203(h) Underwriting Basics**

- Maximum insurable mortgage
- Mortgage term
- Mortgage Insurance Premium (MIP)
- Minimum borrower cash investment
- Closing costs and prepaid expenses
- Refinancing with rehabilitation
- Underwriting criteria





# Underwriting Basics for 203(h)

- Maximum insurable mortgage
  - FHA's statutory loan limits for the area
  - Visit [www.hud.gov](http://www.hud.gov) and click on the "Resources" tab along the top for limits







## **Underwriting Basics for 203(h)**

- Mortgage term
  - Based on borrower qualifications
  - Up to a maximum of 30 years
- Mortgage insurance
  - Requires both up front and annual premiums be charged and paid



## Underwriting Basics for 203(h)

- Minimum required cash investment from borrower
  - Not required per 203(h) program guidelines
  - Allows 100% financing
    - Purchase price or appraised value; whichever is less



## Underwriting Basics for 203(h)

- Closing costs and prepaid expenses
  - Cannot be financed
  - May be paid by borrower
  - May be paid by an interested third party
    - Seller, real estate sales professional, premium loan pricing, etc.
    - Limited to 6% of sales price/appraised value or actual costs; whichever is less





# Financing and Refinancing Using the 203(k) Program

- FHA's 203(k) – rehabilitation loan program may be used **when 203(h) qualified circumstances exist**
  - Presidentially declared disaster area
  - Home destroyed or damaged and documented
  - Owner/renter permanent residence and documented





## Financing and Refinancing Using the 203(k) Program – Continued

- Exempt from one year wait requirement for refinance
- Available regardless of age of property
- Statutory mortgage limits still apply
- 203(k) loan-to-value limits apply
  - For information on this program, please visit [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/203k/203k--df](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/203k--df)





## Underwriting the 203(h)

- FHA's standard underwriting guidelines apply per HUD Handbook 4155.1
  - Credit
  - CAIVRS
  - Income and qualifying ratios
  - Assets
  - Liabilities
  - Appraisal and property standards
  - [http://portal.hud.gov/hudportal/documents/huddoc?id=4155-1\\_combined\\_toc.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=4155-1_combined_toc.pdf)





## **Underwriting the 203(h)**

- Lenders should be flexible to those affected by the disaster
  - Gaps in employment, documentation for employment, available funds, and qualifying ratios
  - Document and justify per guidelines





## **Conclusion**

- You should now be able to
  - Outline 203(h) basic program purpose
  - Identify eligible participants and customers who have been affected by a disaster in a presidentially declared disaster area
  - Know and identify specific program requirements







## Three Easy Ways to Get More Information

### Online:

- FHA's online resource center for frequently asked questions at [www.hud.gov/answers](http://www.hud.gov/answers)

### E-mail:

- Answers@hud.gov

### Phone:

- 800-CALLFHA (800-225-5342)
  - TDD: (877) TDD-2HUD (877-833-2483)
- Open Monday-Friday, 8 a.m. to 8 p.m., ET



The U.S. Department of Housing and Urban  
Development  
would like to thank you  
for your interest in  
FHA and FHA programs  
and for attending our training on the  
**203(h) Disaster Victims Program**

